

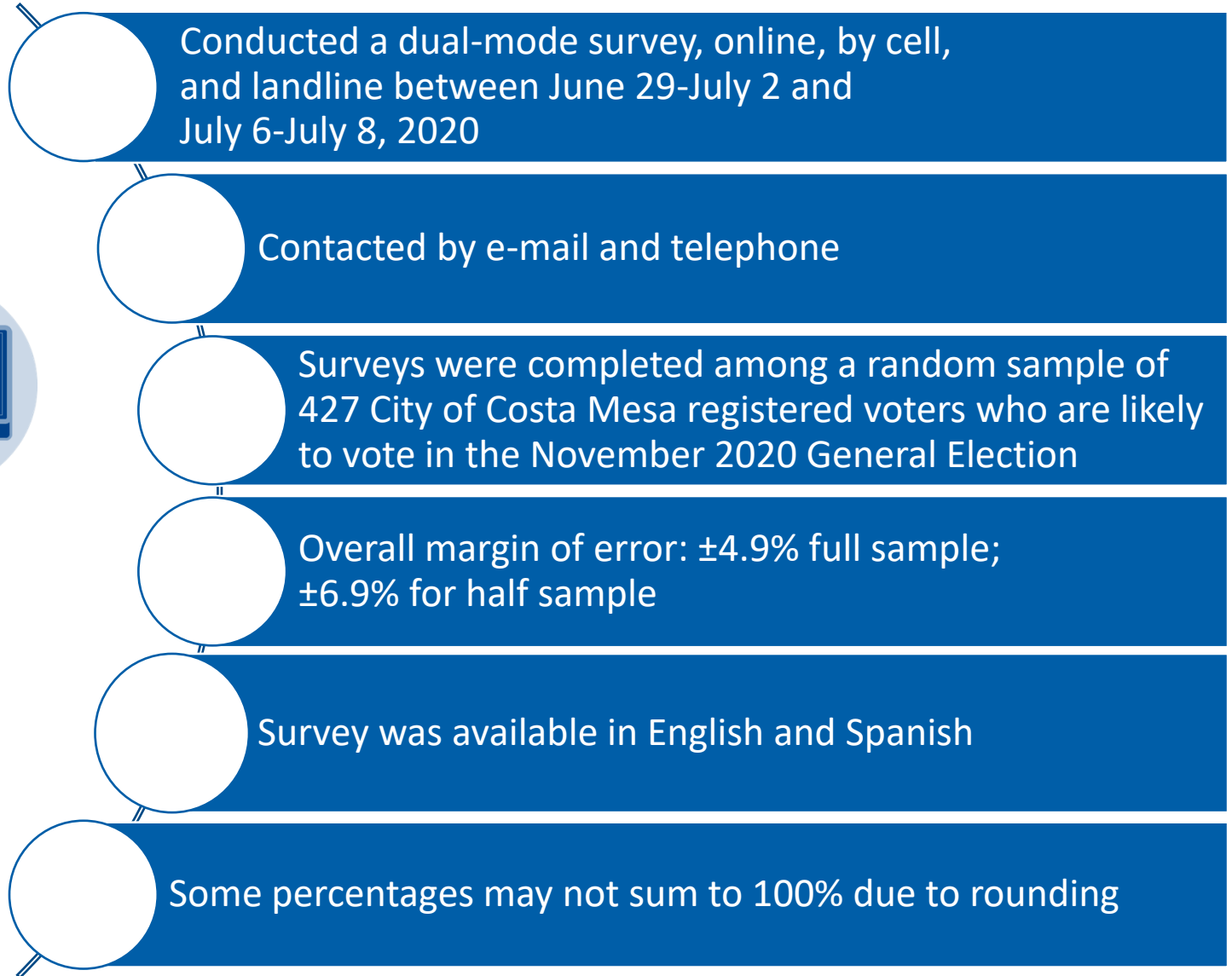
City of Costa Mesa Cannabis Issues Survey

*Key Findings of a Survey of Voters Conducted
June 29-July 8 2020*



OPINION
RESEARCH
& STRATEGY

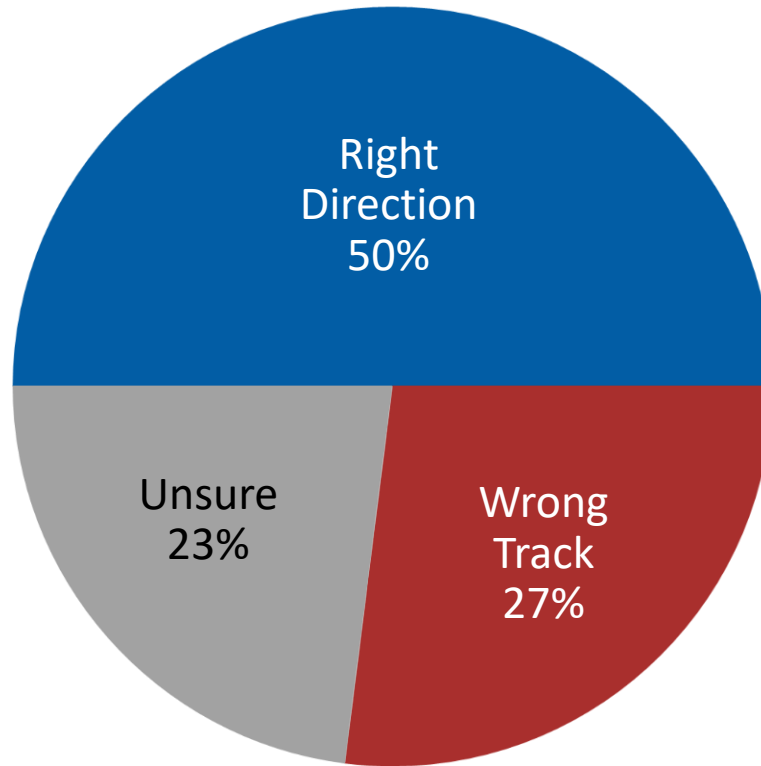
Survey Methodology



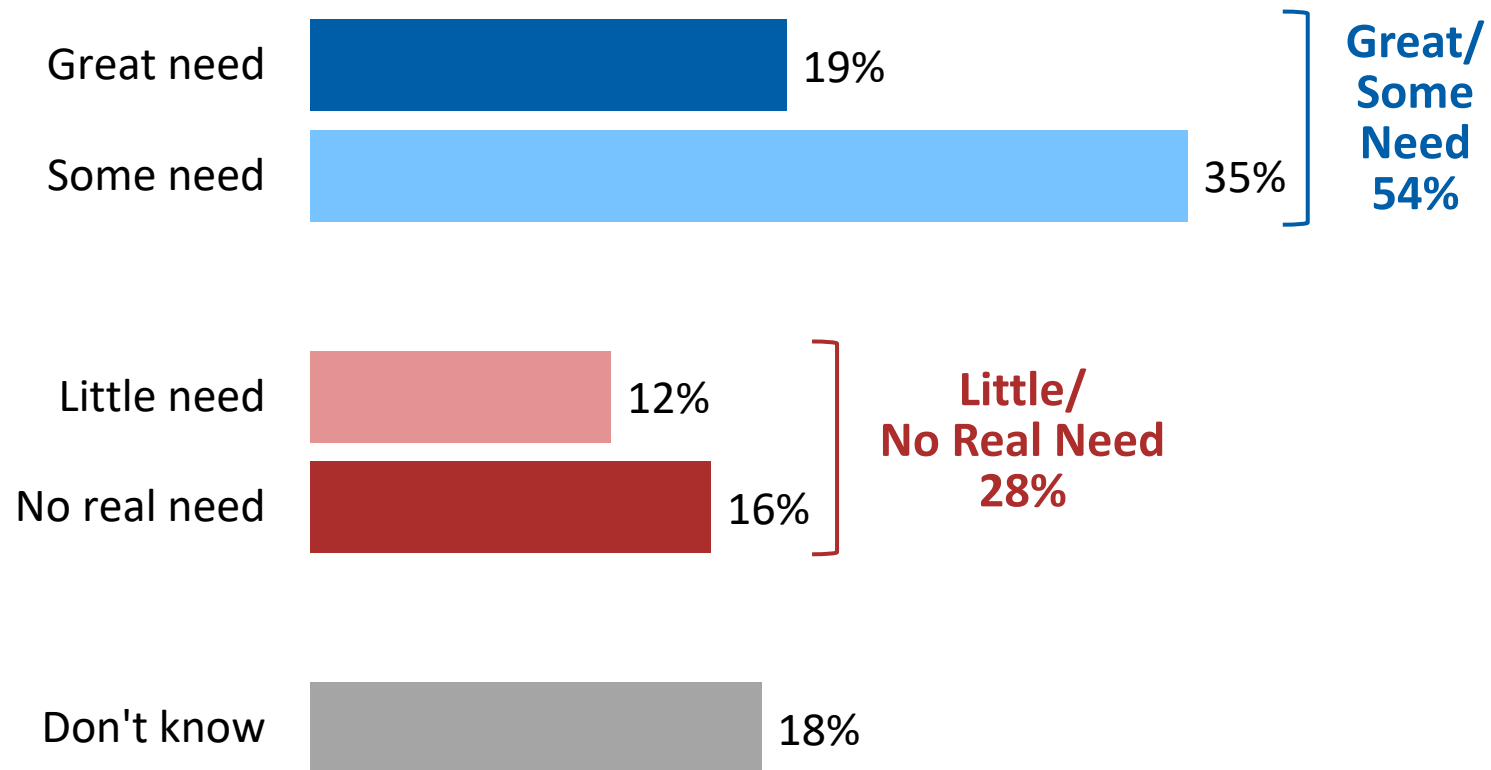
Mood and Perceptions of the Electorate

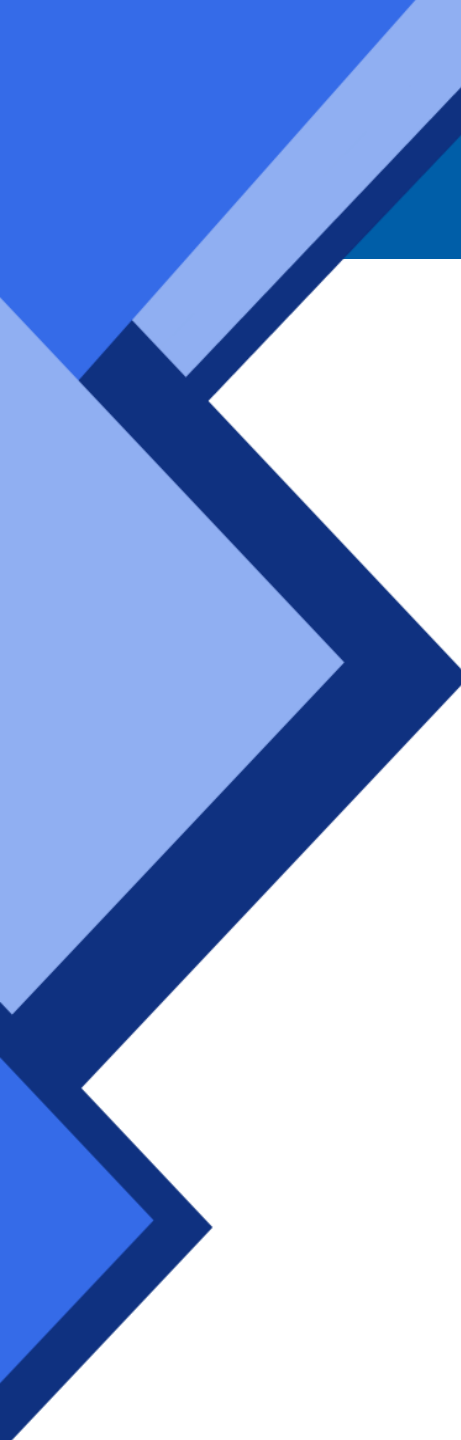
One-in-two perceive the City is headed in the right direction, with roughly one-quarter saying things are off on the wrong track.

Would you say that things in the City of Costa Mesa are generally headed in the right direction, or do you feel that things are off on the wrong track?



A slight majority perceive a great or some need for additional funds to provide the level of city services Costa Mesa residents need or want, with just two-in-ten indicating a great need.

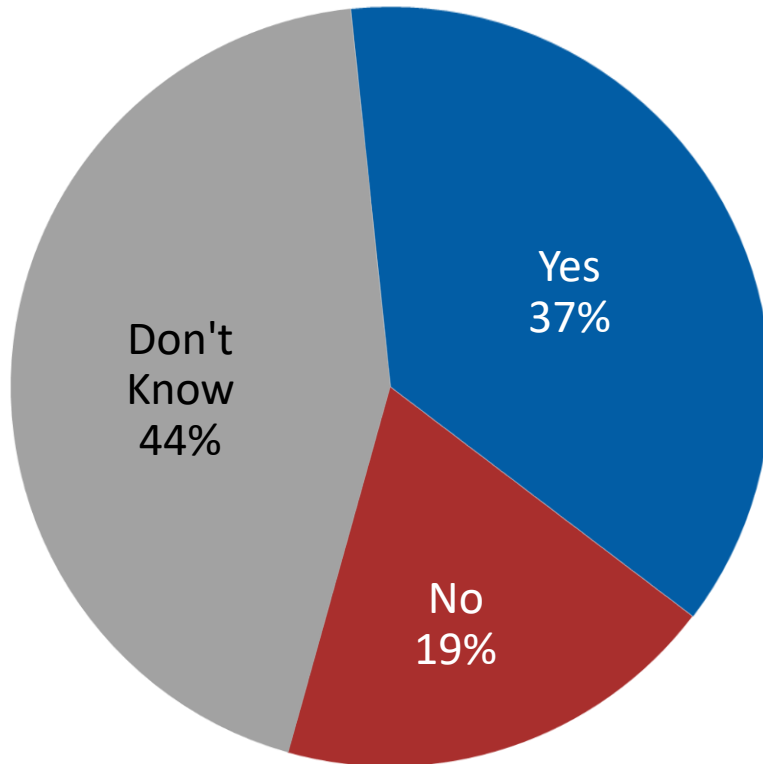




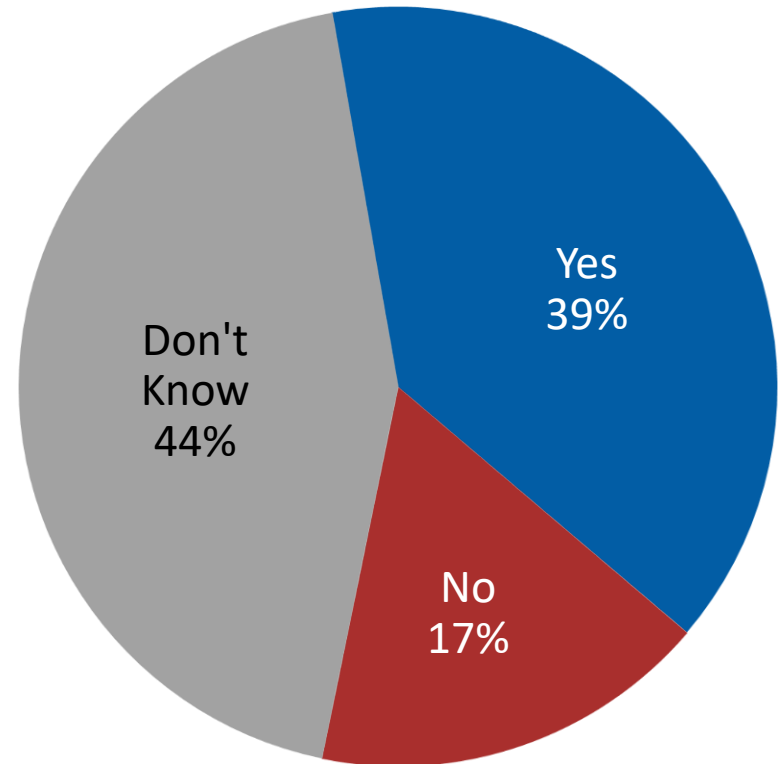
Awareness and Opinion of Legality of Marijuana in the City

Slightly less than two-in-ten perceive that it is currently illegal to operate a medical marijuana dispensary in Costa Mesa and illegal to operate and sell cannabis products to adults for recreational use.

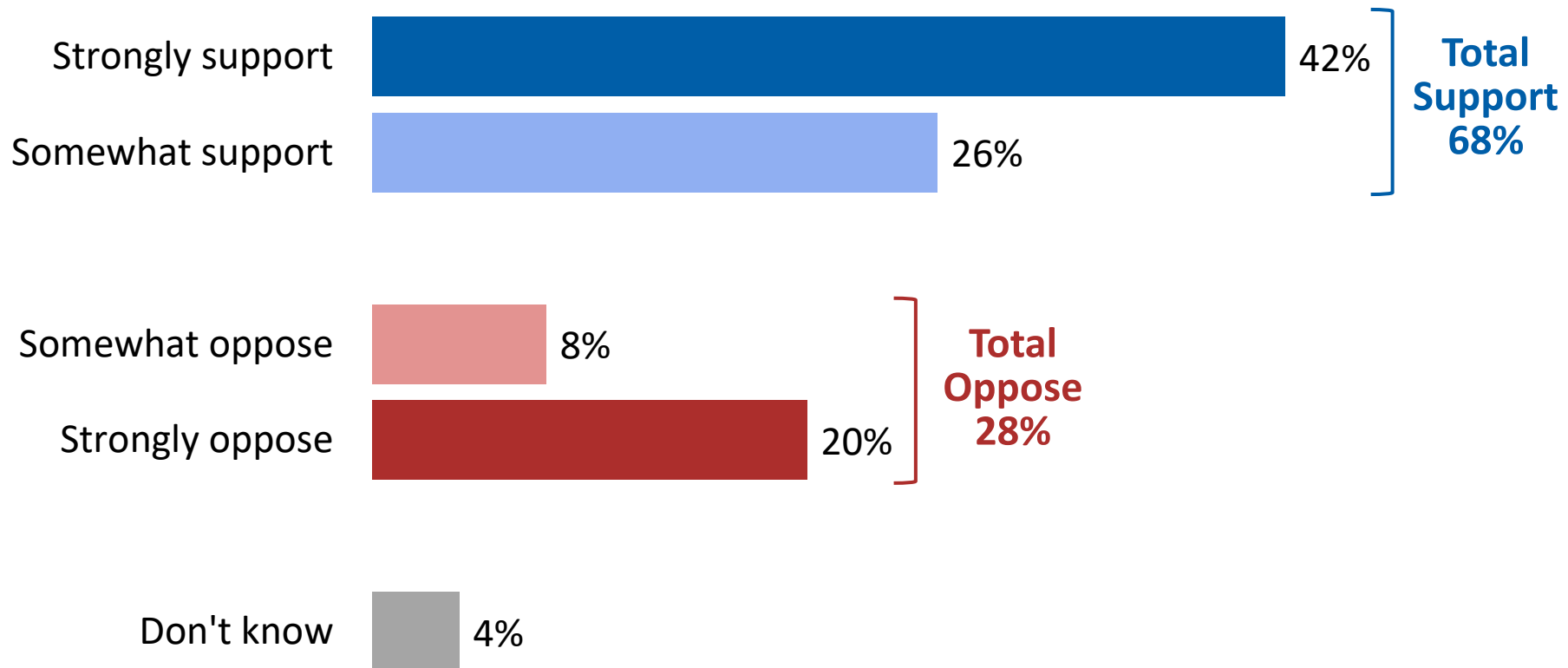
Operate a Medical Marijuana Dispensary



Operate a Business that Sells Cannabis Products for Adult Recreational Use



Approximately two-thirds support allowing businesses in Costa Mesa to sell cannabis products to adults for recreational use.



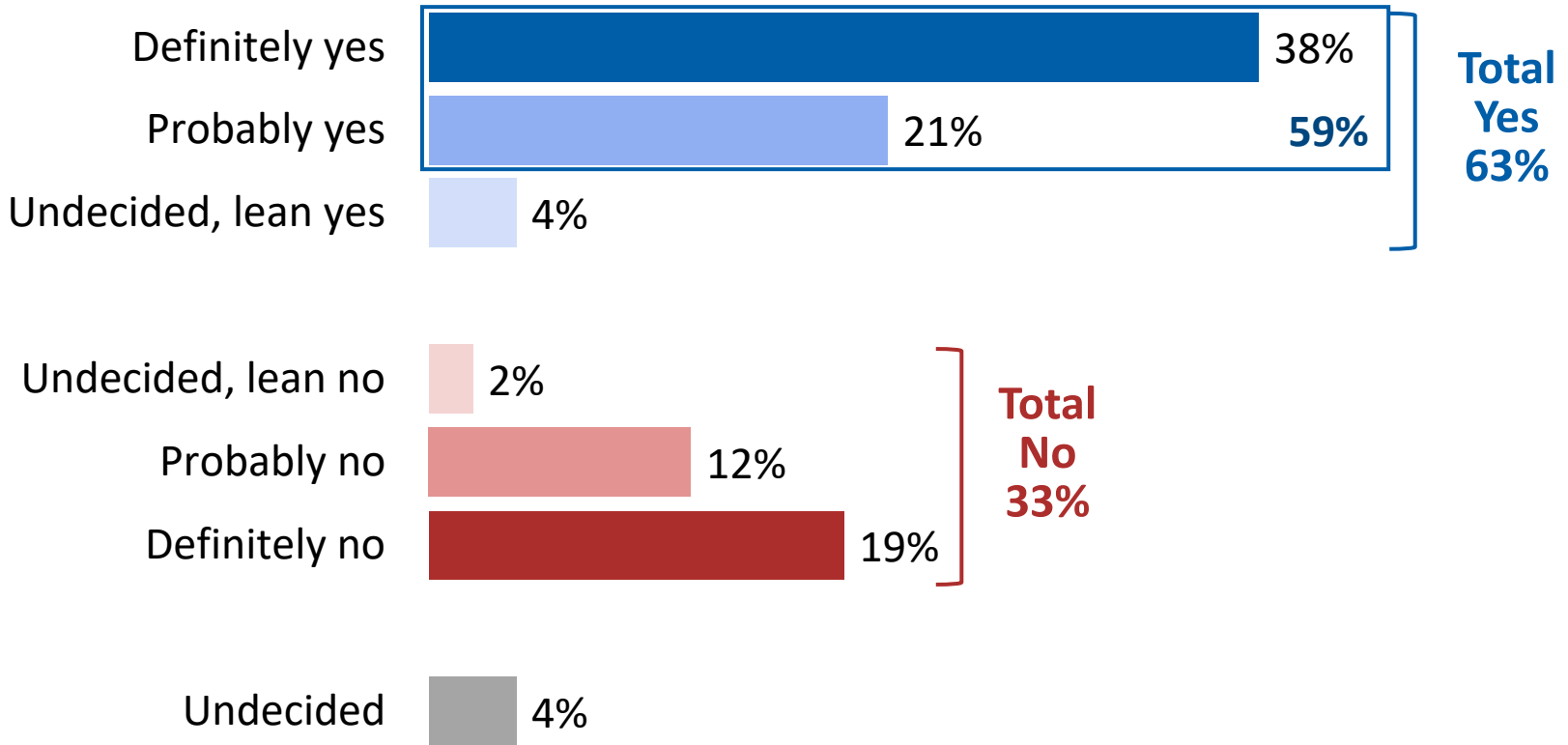
Ballot Measure

Ballot Title and Summary

Costa Mesa Retail Cannabis Tax and Regulation Measure

Shall an ordinance permitting, regulating and taxing the retail sale and delivery of cannabis, limiting the number and locations of cannabis establishments to protect neighborhoods, schools, children; imposing a gross receipts tax of up to 5% on the sale and/or delivery until ended by voters; raising approximately \$1,300,000 annually for maintaining fire and public safety protection, street and pothole repair, retaining local businesses, addressing homelessness, other general services; requiring audits, all funds controlled locally, be adopted?

More than 60% initially support the Cannabis Tax and Regulation Measure, with roughly four-in-ten who would definitely vote yes.



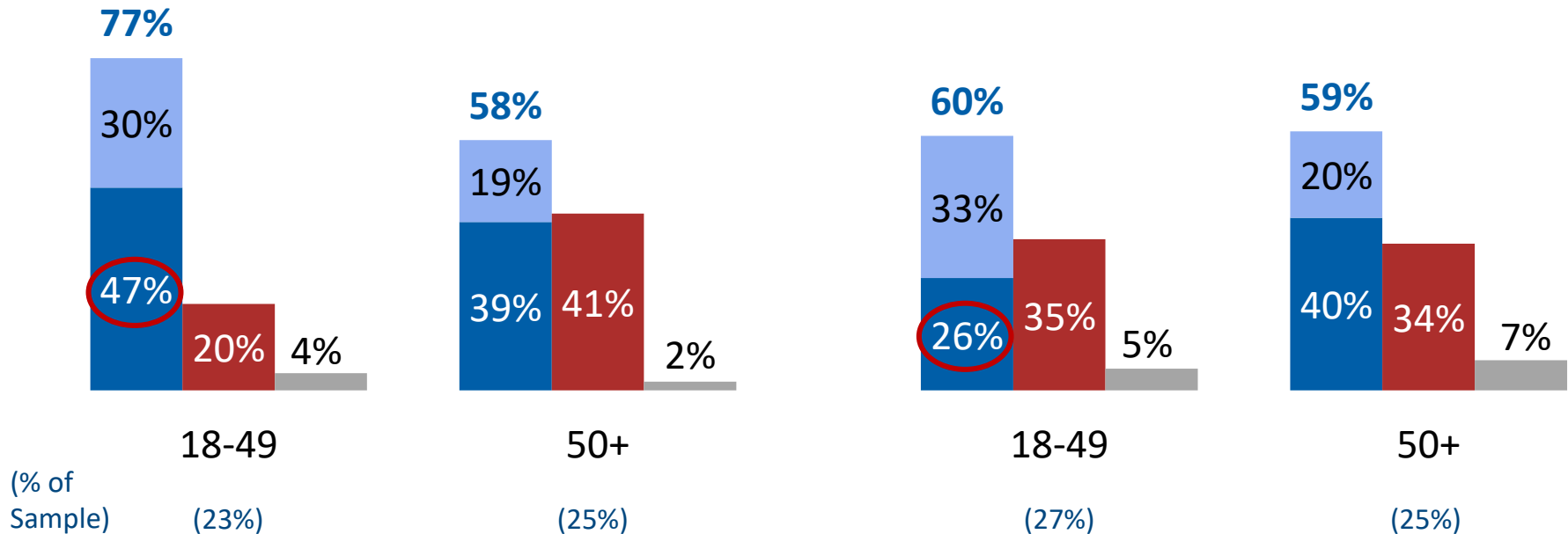
Men less than 50 years of age are most apt to vote yes.

Initial Vote on the Retail Cannabis Tax and Regulation Measure by Gender by Age

■ Def. Yes ■ Prob./Undec., Lean Yes ■ Total No ■ Undecided

Men

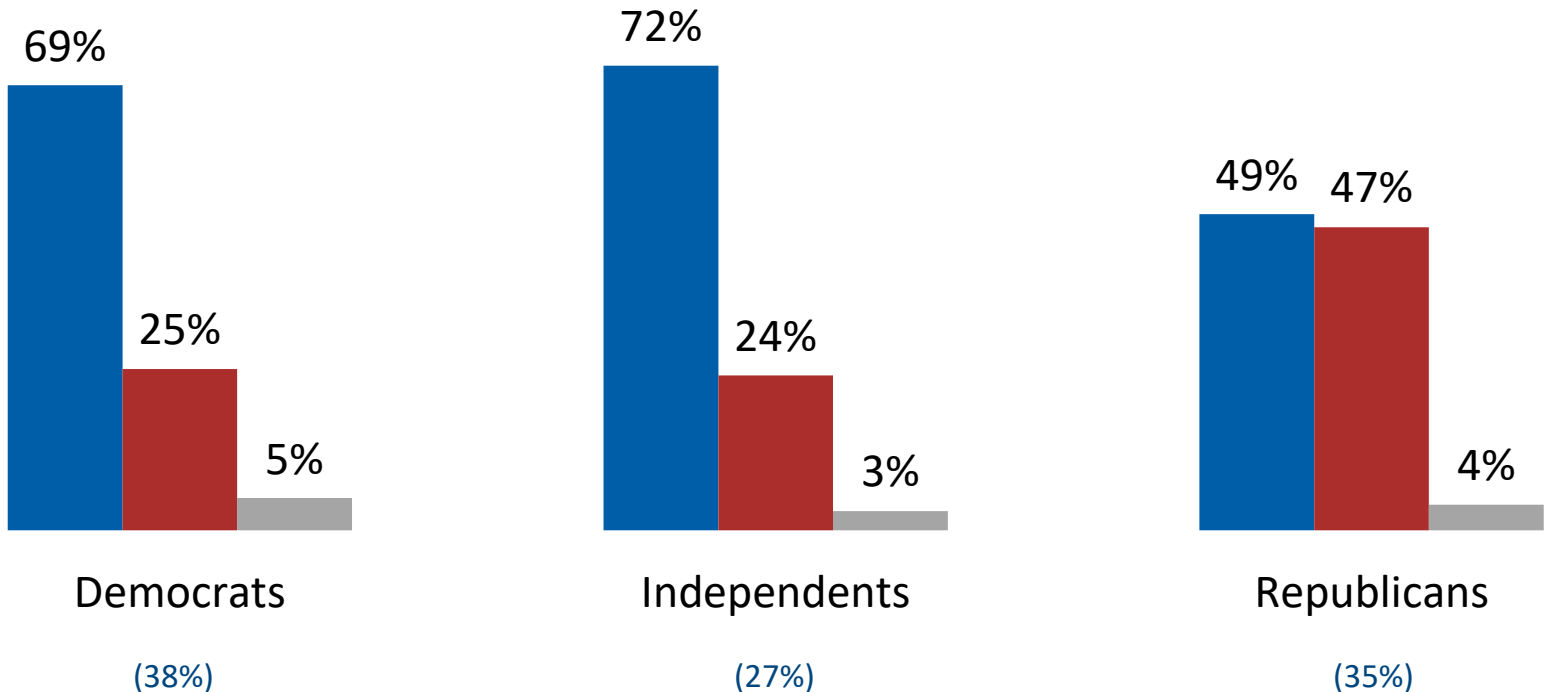
Women



Democrats and independents are most apt to vote yes and Republicans are mixed on the measure.

Initial Vote on the Retail Cannabis Tax and Regulation Measure by Party

■ Total Yes ■ Total No ■ Undecided

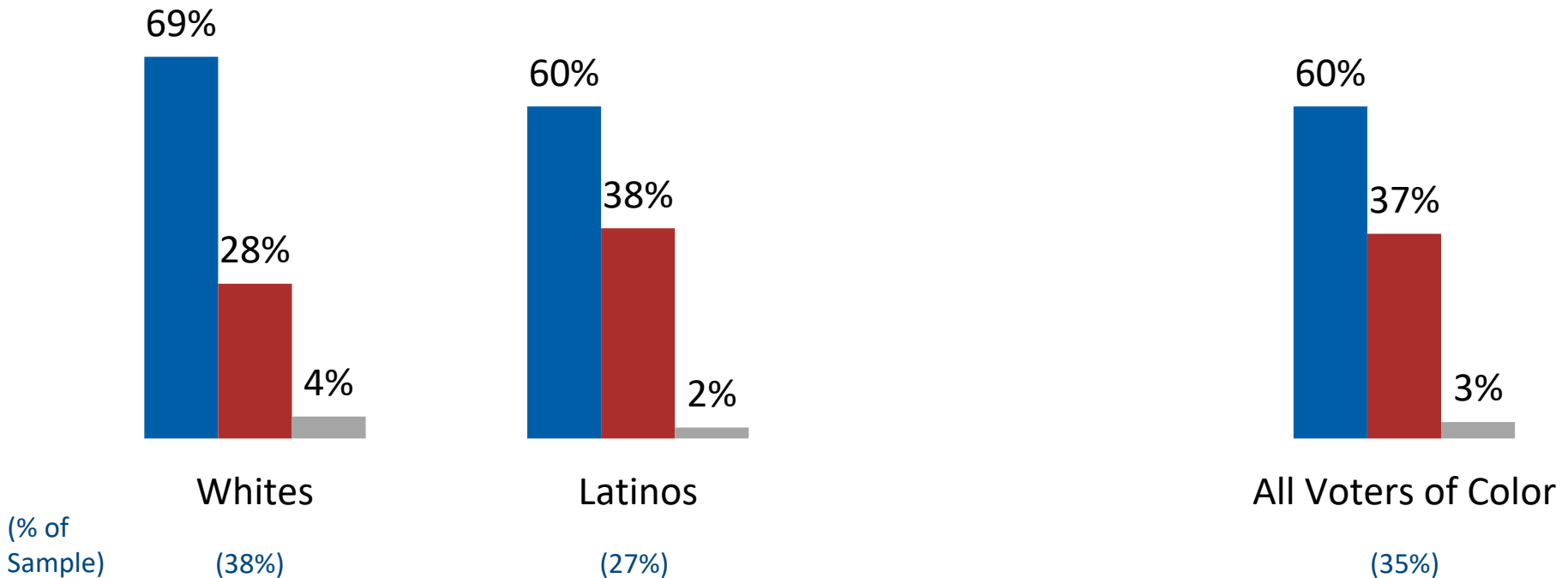


(% of
Sample)

White voters are more likely to vote yes than voters of color, though a majority of all ethnic/racial groups support this measure.

Initial Vote on the Retail Cannabis Tax and Regulation Measure by Race/Ethnicity

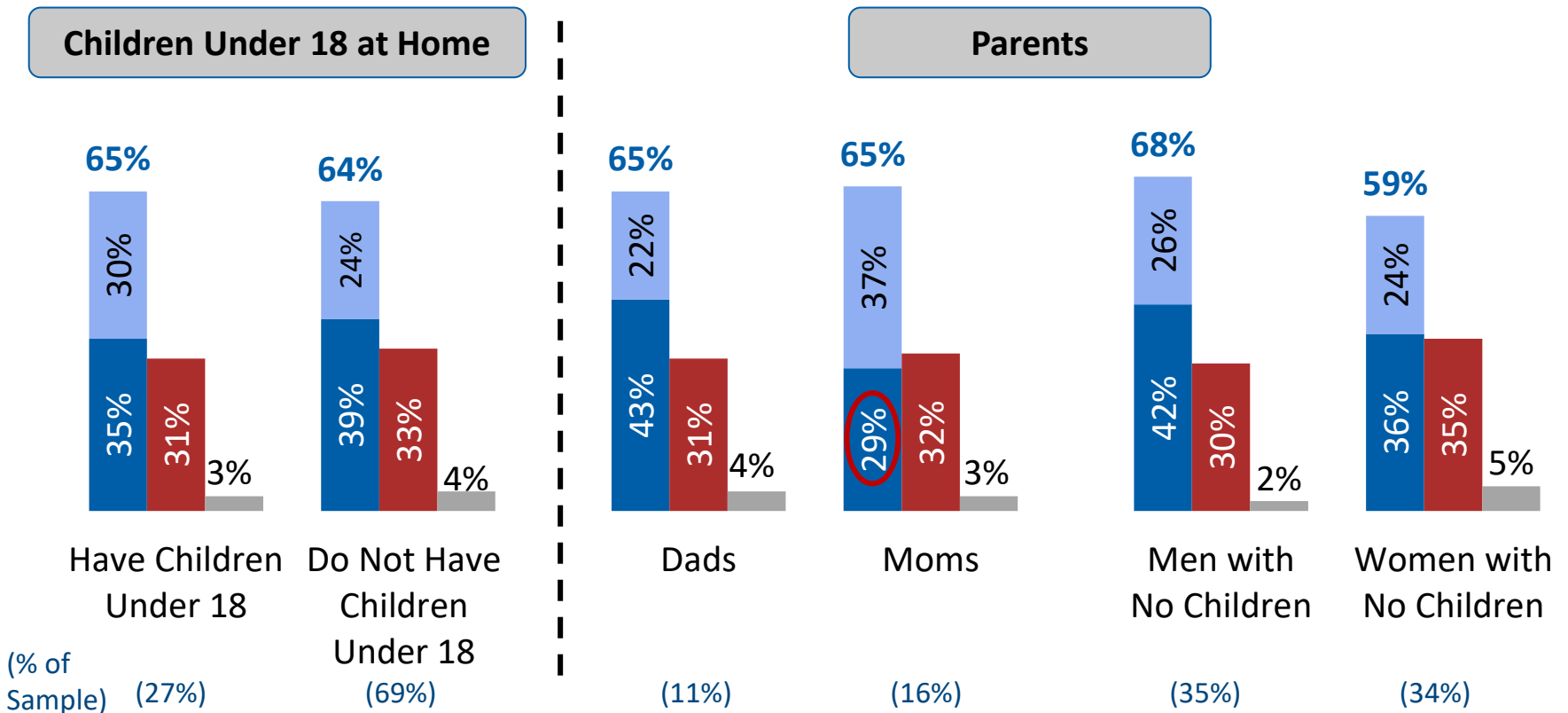
■ Total Yes ■ Total No ■ Undecided



There is no significant difference in the opinions on the measure between parents with children under 18 at home and those without.

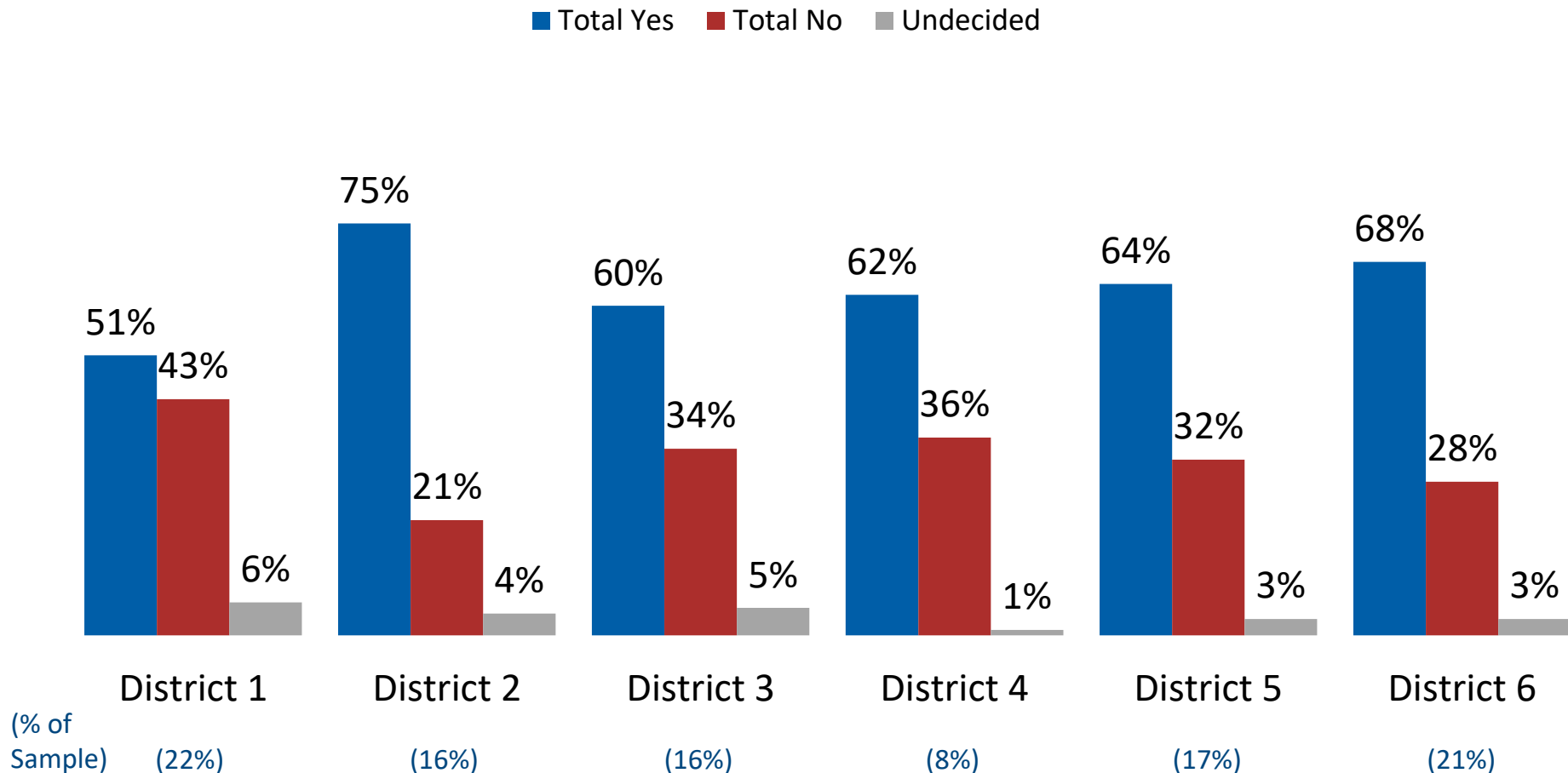
Initial Vote on the Retail Cannabis Tax and Regulation Measure by Parental Status

■ Def. Yes ■ Prob./Undec., Lean Yes ■ Total No ■ Undecided



While the margin of error per Council District is high, voters in City Council Districts 2 and 6 showed the greatest levels of support.

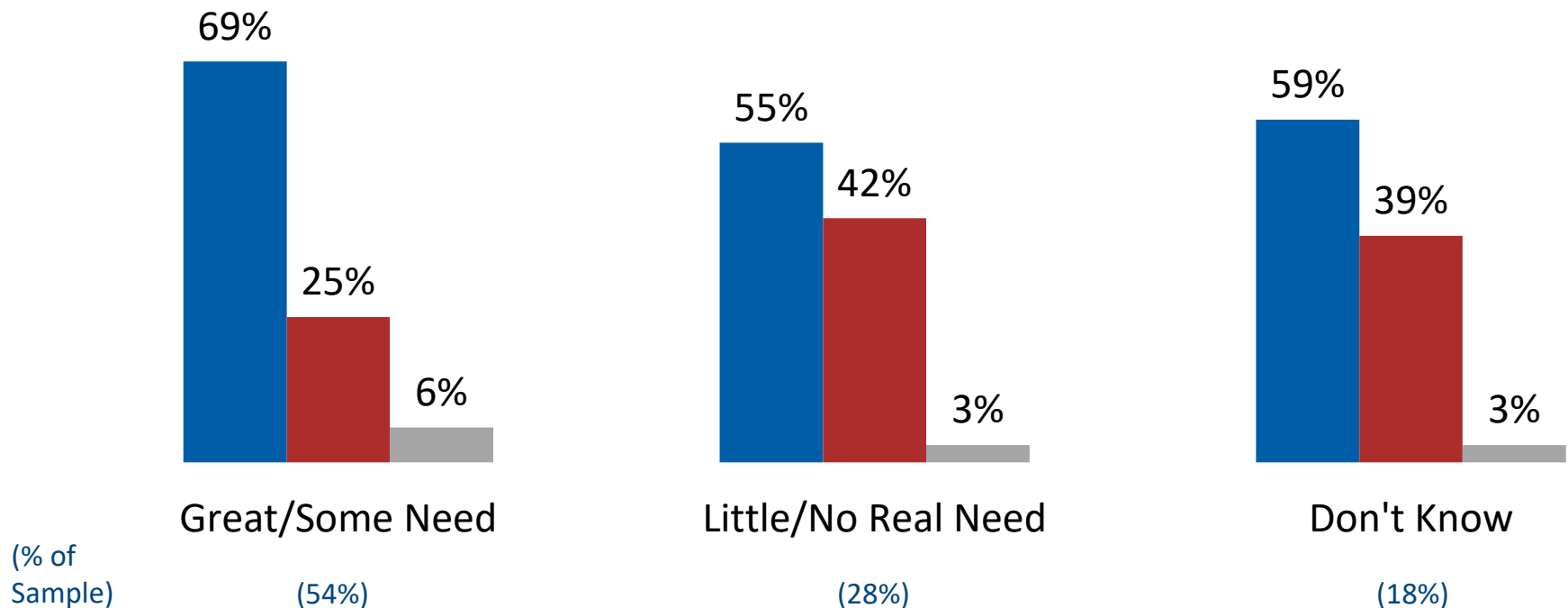
Initial Vote on the Retail Cannabis Tax and Regulation Measure by City Council District



The more one perceives the City has a need for additional funds, the more likely they would be to vote yes.

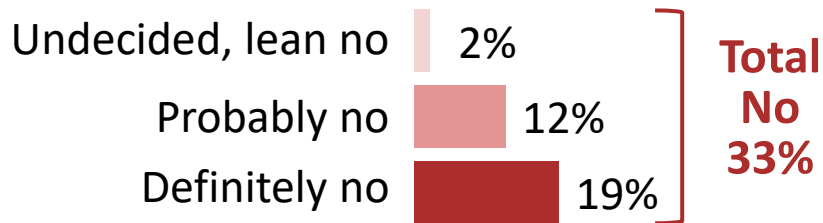
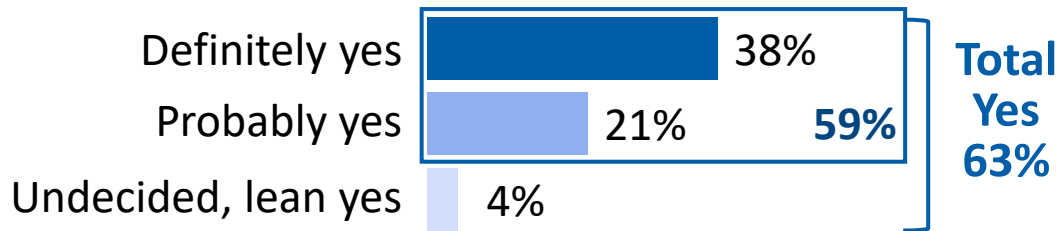
Initial Vote on the Retail Cannabis Tax and Regulation Measure by City Need for Funding

■ Total Yes ■ Total No ■ Undecided



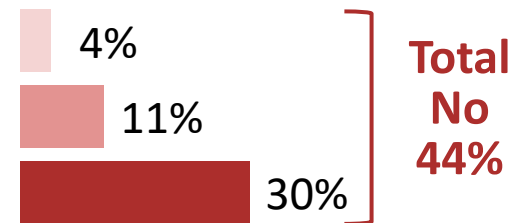
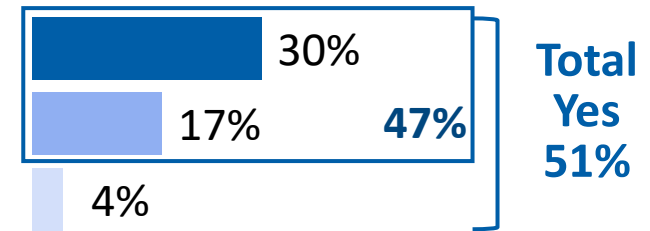
Overall support declines 12 percentage points to 51% if the maximum gross receipts tax were set at seven percent rather than up to five percent.

Vote at Up to 5% Gross Receipts



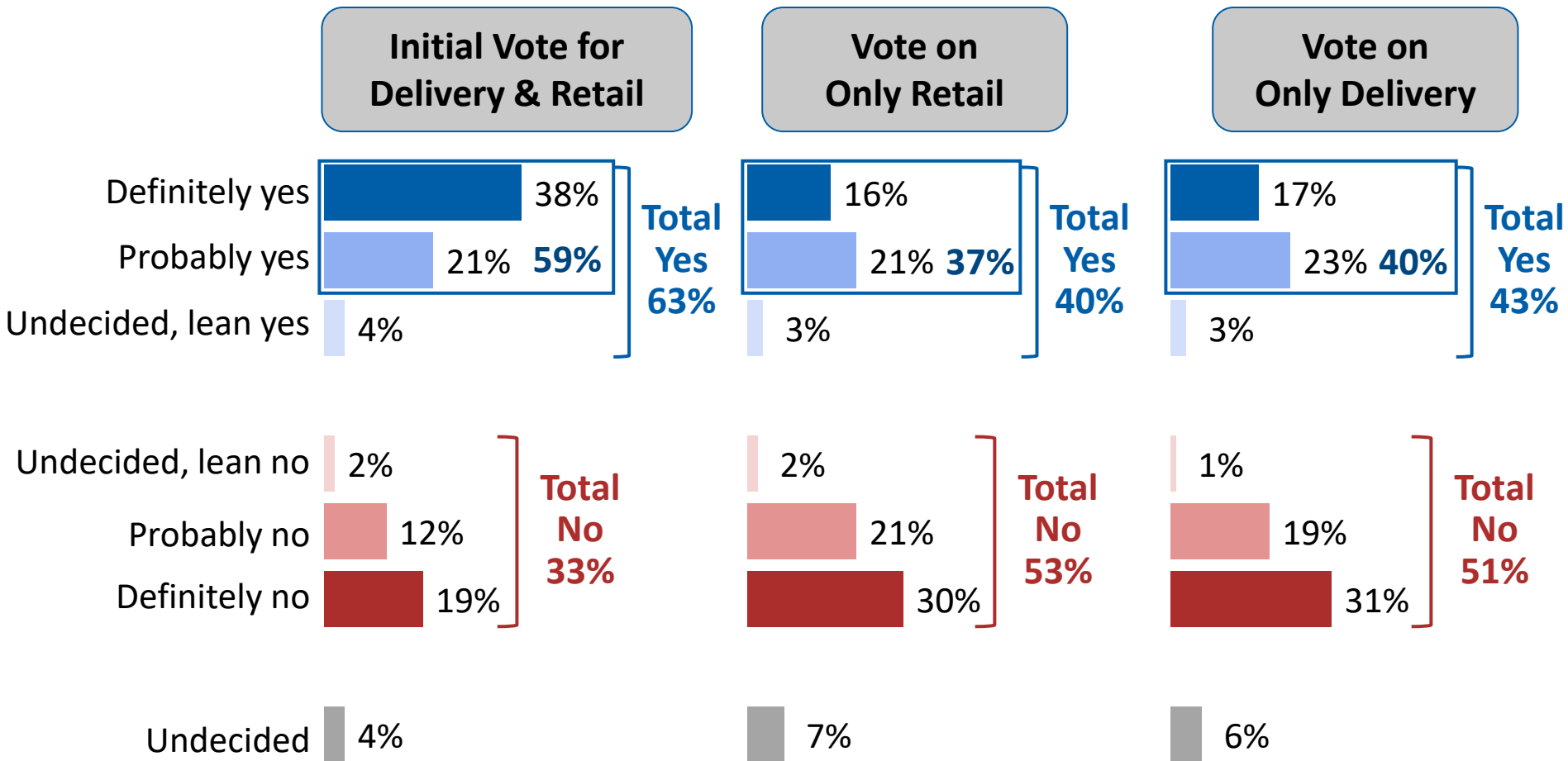
Undecided 4%

Vote at 7% Gross Receipts



Undecided 5%

While over 60% support both retail and delivery as a package, slight majorities oppose only retail or only delivery without the other.





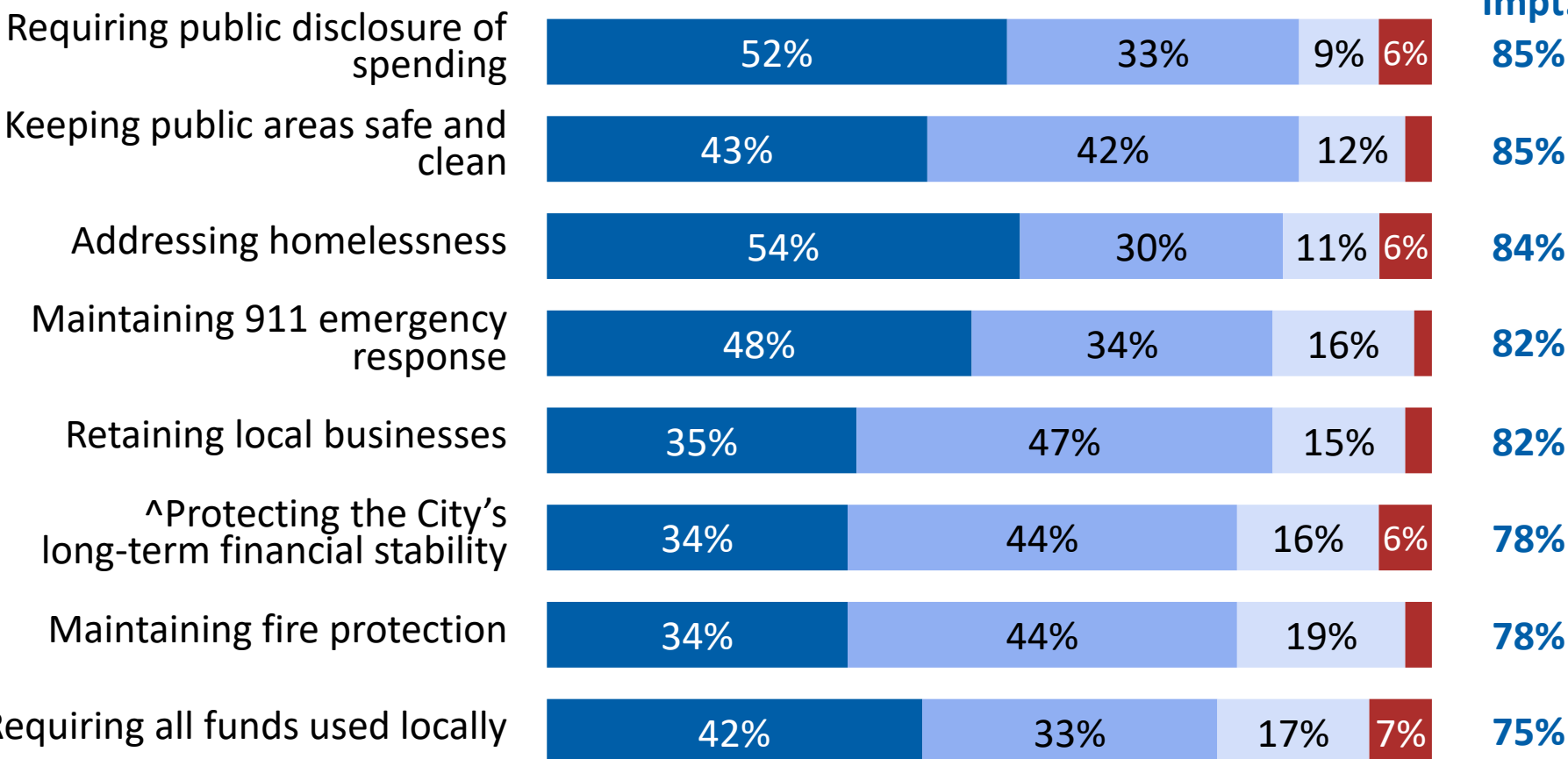
Voter Priorities: Uses of Funds, Accountability, and Regulations

Requiring public disclosure of spending; keeping public areas safe and clean; addressing homelessness; maintaining 911 emergency response; and retaining local businesses are among the leading voter priorities to include in the measure.

(Ranked by Extremely/Very Important)

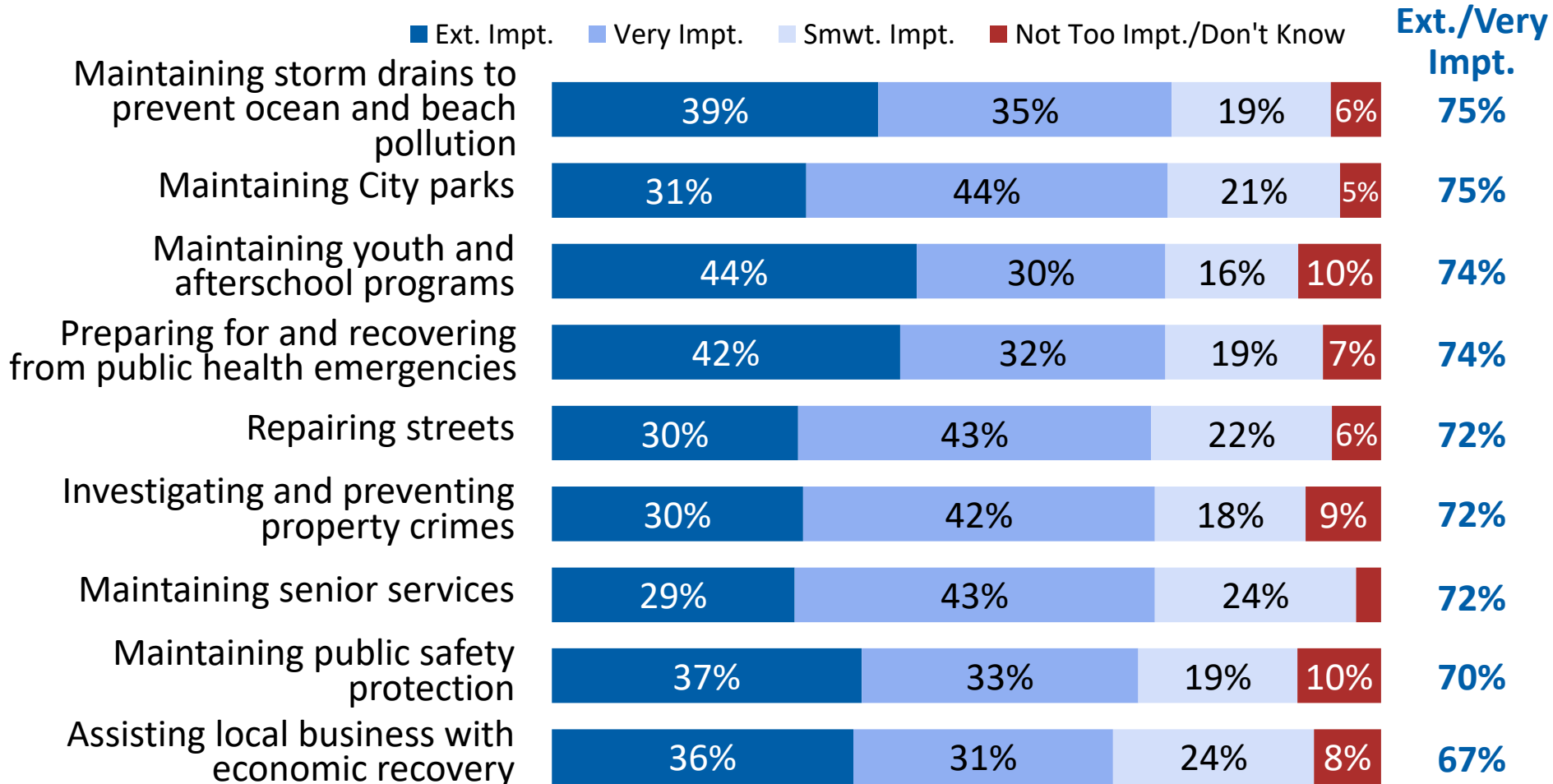
■ Ext. Impt. ■ Very Impt. ■ Smwt. Impt. ■ Not Too Impt./Don't Know

Ext./Very Impt.



Continued

(Ranked by Extremely/Very Important)

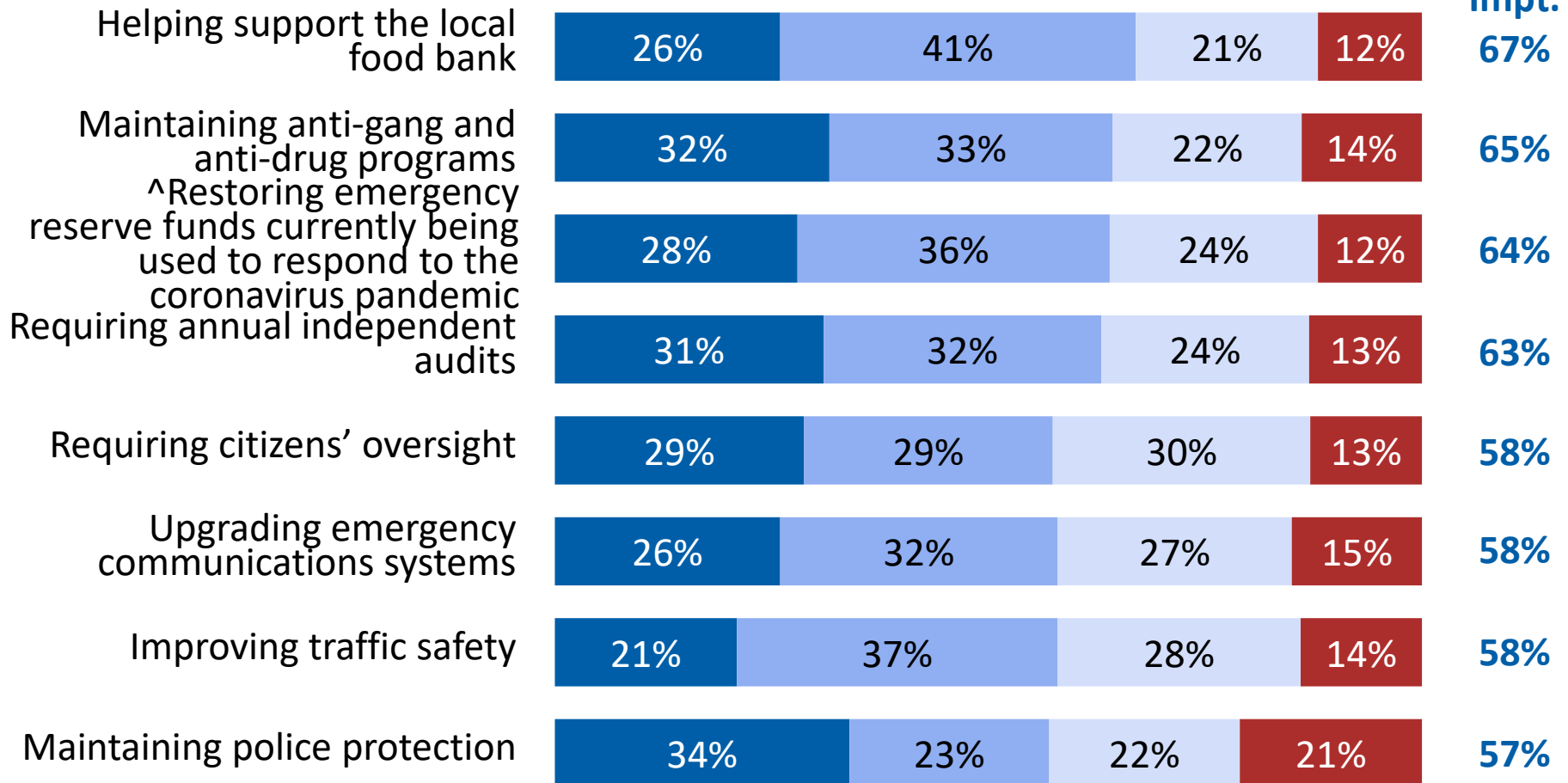


Continued

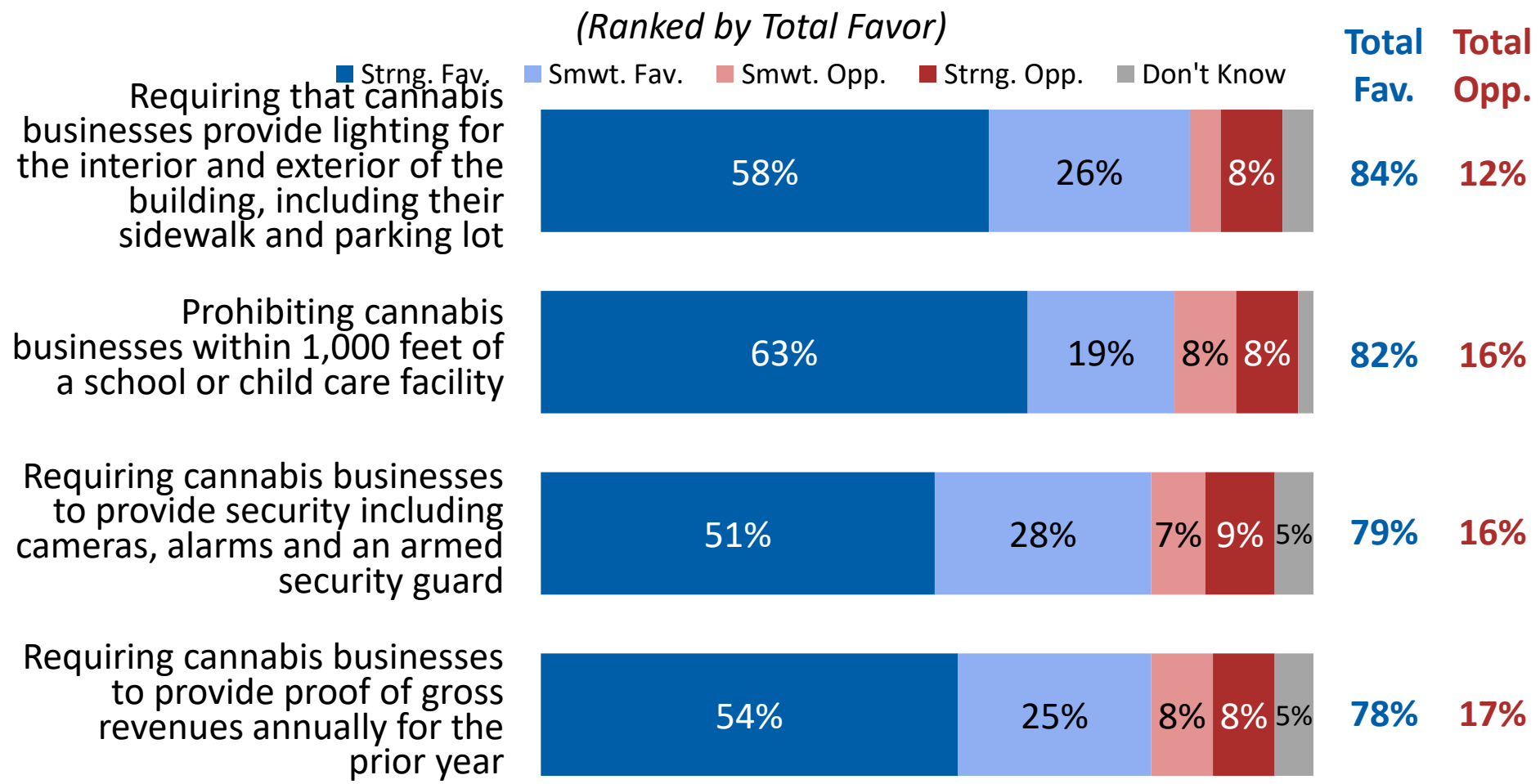
(Ranked by Extremely/Very Important)

■ Ext. Impt. ■ Very Impt. ■ Smwt. Impt. ■ Not Too Impt./Don't Know

**Ext./Very
Impt.**



The most favored regulations include requiring well-lit interiors and exteriors; prohibitions of businesses within 1,000 feet of a school or childcare facility; requiring on-site security; and, providing proof of gross revenue annually.



Continued

(Ranked by Total Favor)

■ Strng. Fav. ■ Smwt. Fav. ■ Smwt. Opp. ■ Strng. Opp. ■ Don't Know

**Total
Fav.** **Total
Opp.**

Requiring that operators and employees of cannabis businesses be subject to a criminal background check



76% **19%**

^Permitting cannabis retail stores to sell cannabis products to adults



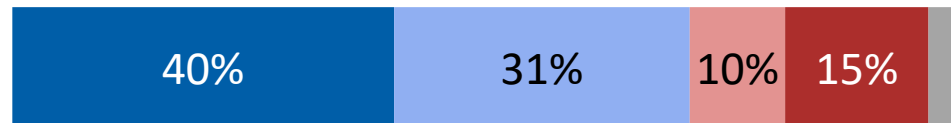
75% **21%**

Prohibiting the operation of cannabis businesses within 1,000 feet of any alcohol and substance abuse treatment facilities or homeless shelters



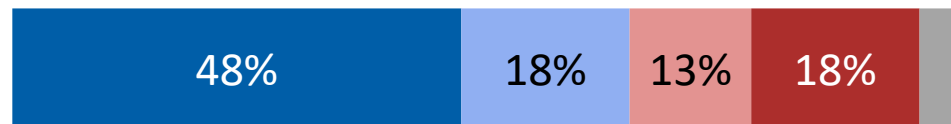
75% **22%**

^Allowing businesses to deliver cannabis products to Costa Mesa residents



71% **25%**

Prohibiting the operation of cannabis businesses in any residential zone



66% **30%**

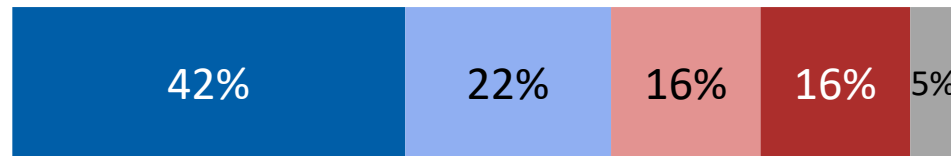
Continued

(Ranked by Total Favor)

■ Strng. Fav. ■ Smwt. Fav. ■ Smwt. Opp. ■ Strng. Opp. ■ Don't Know

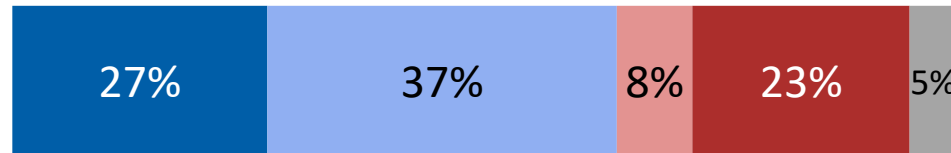
Total Fav. **Total Opp.**

Limiting the hours of operation for cannabis businesses so they cannot be open late at night



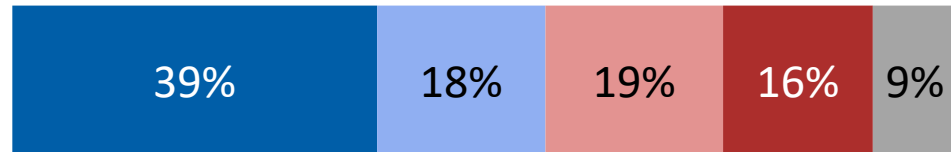
64% **31%**

Allowing cannabis retail stores in retail zones, such as along Harbor Boulevard, Newport Boulevard, 17th Street and 19th Street



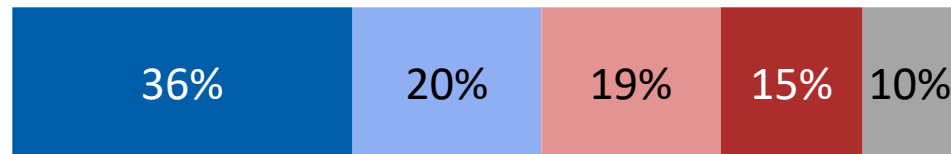
64% **31%**

Prohibiting the location of a cannabis business within 500 feet of another cannabis business



57% **35%**

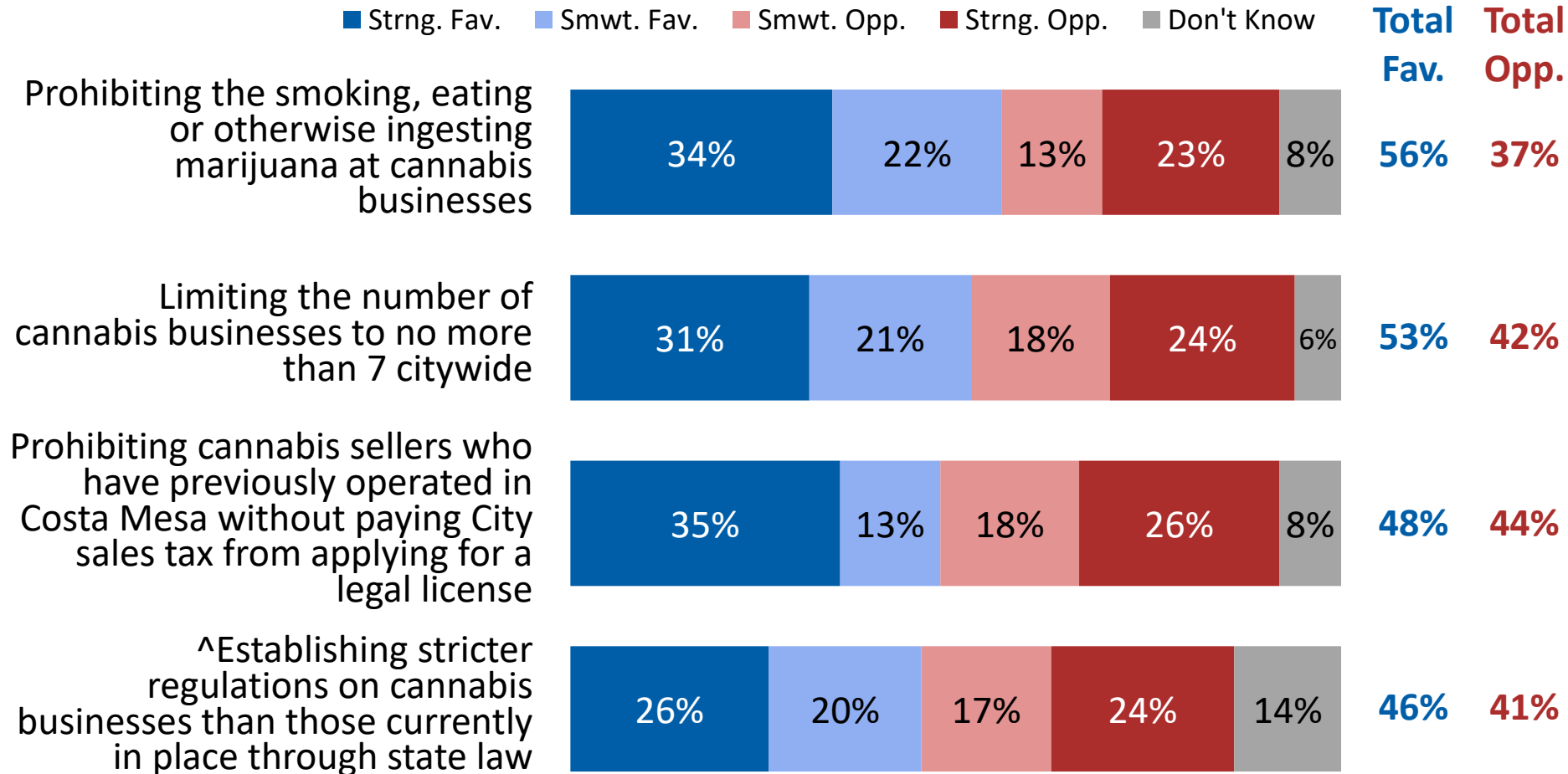
Limiting the number of cannabis businesses to no more than 10 citywide



56% **34%**

Continued

(Ranked by Total Favor)





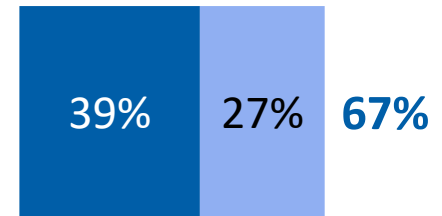
Impact of Educational Information and Critical Statement

The perception that adult-use cannabis is legal in California and therefore tax it to provide the City with revenue; the funds raised will remain local; and the measure will have strict accountability are leading reasons to vote yes.

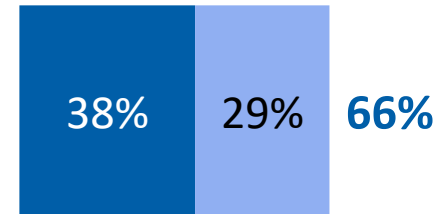
(Ranked by Total More Inclined to Vote Yes)

■ Much More Incl. ■ Smwt. More Incl.

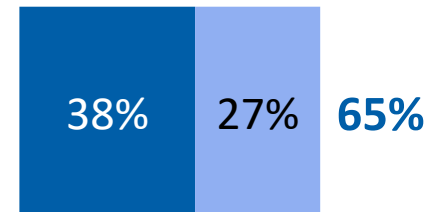
***(LOCAL CONTROL)** Increasingly, the state of California has shifted responsibility for many programs back to local cities, like Costa Mesa, without the funds necessary to provide the services that local residents need. In fact, over the last five years, the state has taken more than \$21 million from Costa Mesa. That is why it is important that all funds from this measure are required to remain local in Costa Mesa and cannot be taken by the state.



(ALREADY LEGAL) California voters approved the legalization of cannabis for adult use nearly four years ago. Since legal use of recreational cannabis is here to stay, the City of Costa Mesa should tax it, which could raise \$1.3 million for essential city services and infrastructure maintenance and improvements.



(ACCOUNTABILITY) This measure would include strict accountability requirements to make sure that funds are used effectively and as promised, including annual independent financial audits which will be available online and public disclosure of all spending.

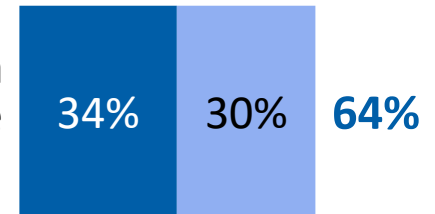


Continued

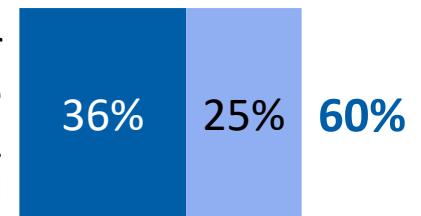
(Ranked by Total More Inclined to Vote Yes)

■ Much More Incl. ■ Smwt. More Incl.

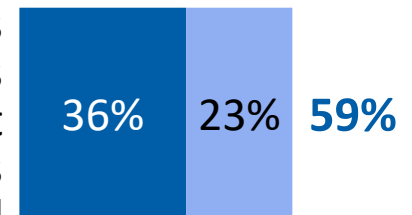
***(WON'T PAY)** This measure will not increase taxes for local Costa Mesa residents. The tax will only be paid by those who are in the business of providing cannabis products and/or services.



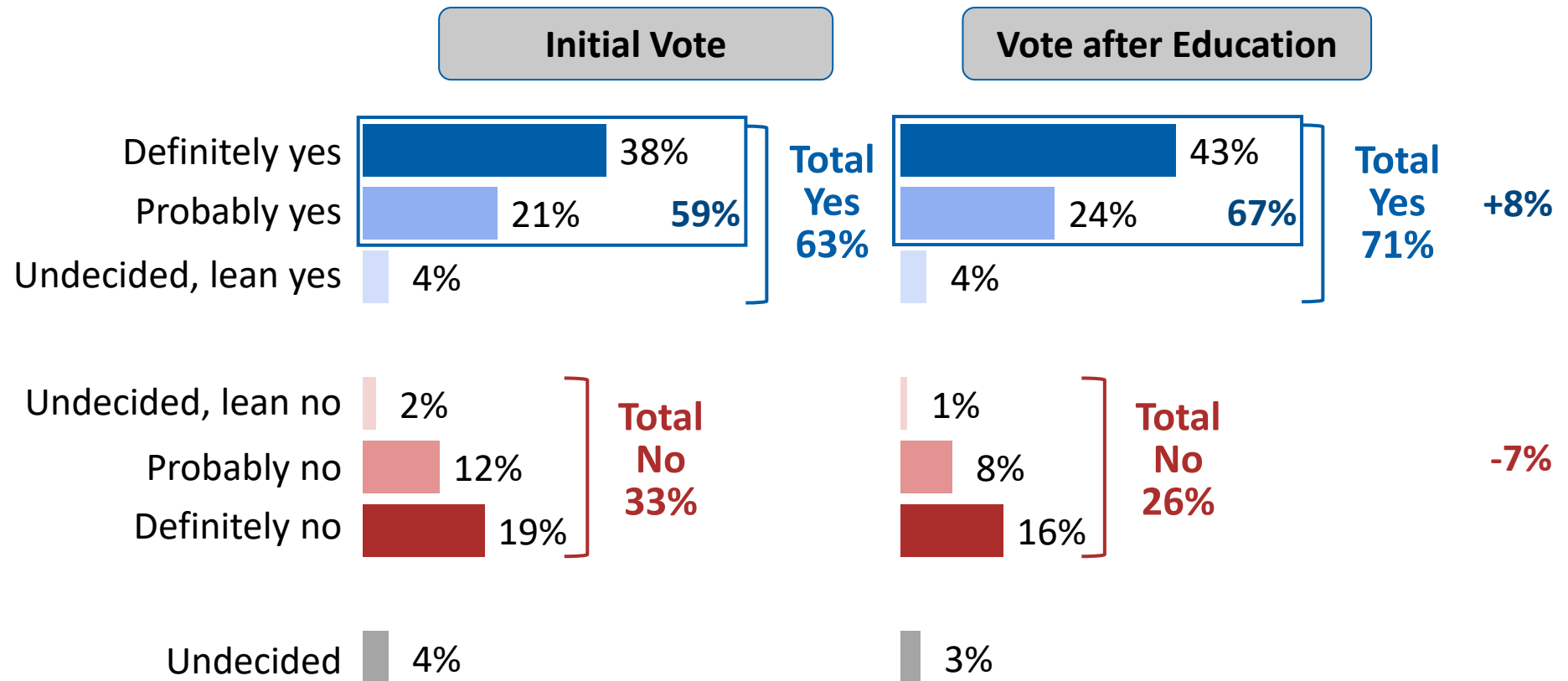
(CUTS) After the effects of the Coronavirus are considered, the City experienced a revenue shortfall of nearly \$30 million in funding for local services in the upcoming year. If this measure does not pass, the City may be forced to make cuts to basic services such as 911 emergency response and road repairs, and support for small businesses to help our local economy recover.



(REGULATIONS) Illegal black-market cannabis businesses create blight, hurt public safety in Costa Mesa and do not contribute any tax dollars for local services. This measure would push out those illegal businesses and replace them with well-regulated, good-looking businesses that benefit our community. And the measure establishes strict regulations on cannabis businesses to keep them away from children and residential areas, so they do not hurt residents' quality of life.



After education, overall support increases eight percentage points to 71%, with “definitely yes” reaching 43% for this simple majority measure.

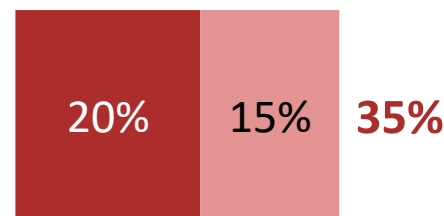


Concern about the measure giving the Council a “blank check”, that legalization will make Costa Mesa a hub of marijuana businesses, and that marijuana shops will attract less desirable people are leading reasons to vote no.

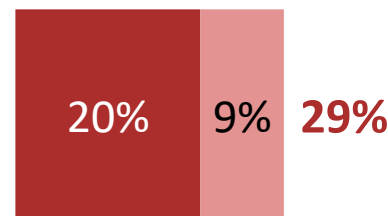
(Ranked by Total More Inclined to Vote No)

■ Much More Incl. ■ Smt. More Incl.

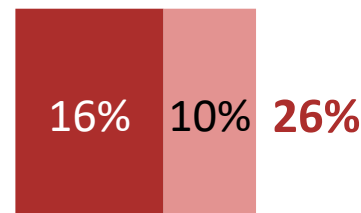
(BLANK CHECK) This measure lets the City Council spend funds on whatever they want. We cannot trust them with this blank check measure with no guarantees on where money will be spent.



^(ONLY CITY) Thirty-three of the 34 cities in Orange County ban retail marijuana businesses in their community. If marijuana businesses are allowed here, it will turn Costa Mesa into the hub of marijuana businesses for our entire region.



(LESS DESIRABLE) Costa Mesa is a nice, family community. If this measure passes and marijuana shops can open up here, Costa Mesa will become a magnet for less desirable people which will negatively impact our quality of life.

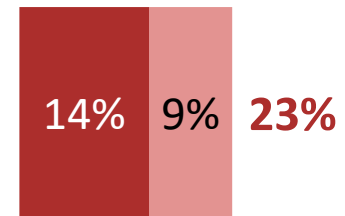


Continued

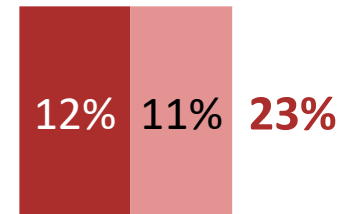
(Ranked by Total More Inclined to Vote No)

■ Much More Incl. ■ Smwt. More Incl.

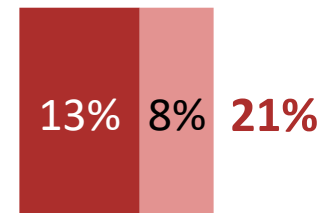
^(**WRONG MESSAGE**) Passing this will make the city dependent on tax revenue from the sale and use of marijuana, which sends the wrong message to children. Marijuana is a gateway drug that often leads to use of hard drugs like meth, cocaine and heroin—we should not approve any measure that may encourage the use of drugs among kids.



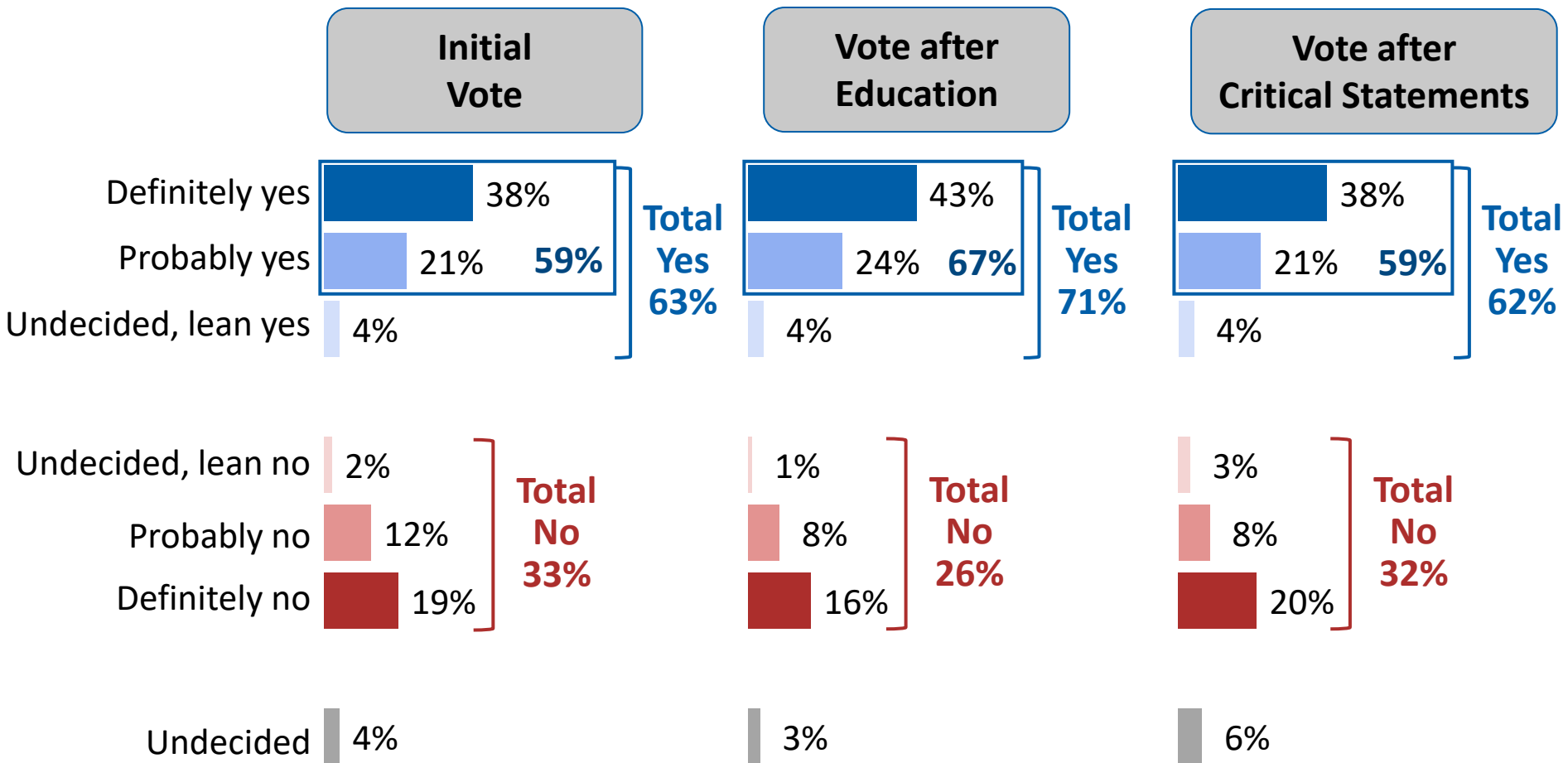
(**TAX ON MEDICINE**) Cannabis is a doctor-prescribed medicine for patients with debilitating diseases, like cancer. This measure will increase taxes on that medicine and make it more expensive for the patients who need it.



(**SAFETY**) This measure will lead to more crime and make our City less safe by allowing cannabis retail stores and delivery businesses. These companies are often tied to gangs and international drug cartels who use the businesses as places to sell the illegal drugs they grow and other criminal activity. We need to vote “no” and keep these criminals outside of Costa Mesa.



After education and critical statements, overall support decreases to the original level of support with 62% saying they would vote yes on the measure.



Conclusions

Conclusions

- ✓ One-in-two have a favorable view of the direction of the City.
- ✓ Slightly more than one-in-two perceive the City has a great or some need for additional funding to provide the level of City services that Costa Mesa residents need and want.
- ✓ There is significant uncertainty as to whether it is legal to operate a medical marijuana dispensary or sell cannabis products to adults for recreational use in the City of Costa Mesa.
- ✓ Roughly two-thirds support allowing businesses in Costa Mesa that sell cannabis products to sell to adults for recreational use.
- ✓ Initially, slightly more than six-in-ten support the ballot measure, with almost four-in-ten having said definitely yes and roughly two-in-ten having said definitely no.

Conclusions; Continued

- ✓ Higher percentages support up to 5% on a gross receipts tax compared to a 7% gross receipts tax.
- ✓ Support declines if only one of cannabis retail or cannabis delivery are legalized, rather than both options.
- ✓ Requiring public disclosure of spending; keeping public areas safe and clean; addressing homelessness; maintaining 911 emergency response and retaining local businesses are among the leading services, projects and accountability provisions considered important to be included in the measure.
- ✓ High percentages favor the inclusion of many regulations in the measure, including well-lit establishments; the prohibition of cannabis businesses within 1,000 feet of a school or childcare facility, and requiring cannabis businesses to provide security.

Conclusions; Continued

- ✓ Statements mentioning that the measure's revenue will remain under local control; that cannabis is already legal and therefore should be taxed; and that the measure includes strict accountability are leading reasons to support the measure.
- ✓ After education, overall support increases eight percentage points to 71 percent, with 43 percent saying they would definitely vote yes on this simple majority measure.
- ✓ Critical statements, including: the concern that this measure gives the Council a blank check to spend on whatever it wants, and that being one of only two cities to allow retail marijuana will cause the city to become the marijuana hub for the entire region, lead to a decline in overall support of nine percentage points to 62 percent, still above the simple majority threshold.



For more information, contact:

Richard Bernard Ph.D.

Bernard@FM3research.com

Adam Sonenshein

Adam@FM3research.com

12100 Wilshire Blvd., Suite 350

Los Angeles, CA 90025

Phone (310) 828-1183

Fax (310) 453-6562



OPINION
RESEARCH
& STRATEGY